

King County Employees Deferred Compensation Plan

Board Meeting Minutes

August 10, 2016

Board Members: Tom Beavers, Thomas Friedman, Pat Hamacher, Doug Hodson, Nigel Lewis, Lisa Parriott, Pat Sainsbury and Mary Beth Short

Staff: O.C. Collier-Brown

Guests: Krista Camenzind, Jayson Davidson of Hyas, Michelle Fujiwara, Craig Keim of T. Rowe Price, Gary Prince and Guen Toste of T. Rowe Price

Agenda Review

None

Participant / Employee Comments

Participant, George Eppler, is disappointed by the plans selection of T. Rowe Price's Equity Income Fund as the sole selection of the Plan's Large Cap Value Mutual Fund Asset due to underperformance for the past few years.

The T. Rowe Price Equity Income Fund has been on watch since the fourth quarter of 2014. The Boards investment advisor, Jayson Davidson, did note, however, that the Fund has had a strong relative start to 2016 and the new manager on the fund has been adding incremental value since taking the helm in October of last year.

The Board is taking no action at this time.

Participant, Gary Prince, expressed concerns in regards to the T. Rowe Price website. He stated that there are several basic items that the website fails to deliver to an average user and would like for T. Rowe Price to use a format of a more traditional website.

Gary was asked to come back at the end of the meeting so he could express his concerns with Guen Toste of T. Rowe Price.

Adopt July Meeting Minutes

The July meeting minutes were adopted as written.

Employee Board Position

Krista Camenzind was nominated and unanimously elected as an employee representative

Report of the Third Party Administrator

Second quarter 2016 information was circulated prior to the meeting. During the meeting, Guen Toste distributed an Executive Summary handout.

The following Plan highlights were noted as of June 30, 2016:

- Plan assets were \$759,900,948 representing a -1% decrease since July 1, 2015;

- The decrease of \$7.9 million was due to the value of plan investments (-5.2 million), but the plan actually paid out \$2.7 million more than it took in, due mainly to retirees rolling over or withdrawing their funds rather than remaining in the plan;
- There were 8,310 participants in the Plan;
- The average Participant account balance was \$91,437; and
- Notably, there were 143 participants with a balance between \$500,000 and \$750,000, 18 participants with a balance between \$750,000 and \$1 million and 5 participants with a balance between \$1 and \$1.5 million.

Guen Toste and Craig Keim provided the customary review of the Plan level cash flow and participant withdrawal activity. They noted that there has been a steady increase in the number of participants directing new contributions into the target-date fund series. Additionally, they noted a recent trend in negative cash flows. The Board engaged in a discussion regarding possible ways to promote keeping retirement dollars in the Plan. Jayson Davidson will forward samples of communications Hyas has used for this purpose at other governmental entities.

The Board discussed the overall participation rate and ways to improve this measure. The consensus was to focus efforts on pushing for auto-enrollment at the labor group level and the legislative level. This will likely garner the largest participation rate increase if successful.

The Board is taking no action at this time.

Report of the Investment Advisor

Jayson Davidson presented the Second Quarter 2016 Performance Report and we discussed performance for each of the Plan's available investment options and, in particular, those funds in violation of investment policy parameters. The T. Rowe Price Equity Income Fund remains the only fund on watch and was again in violation of investment policy performance parameters. Jayson did note, however, that the Fund has had a strong relative start to 2016 and the new manager on the fund has been adding incremental value since taking the helm in October of last year. We also discussed the rather severe one-year relative performance shortfall for the Templeton Global Bond Fund. This Fund fell into investment policy performance violation as of the end of the quarter. The Fund has had the tendency to post large tracking error (positive and negative) in any given quarter or year and the Board felt that waiting another quarter was warranted before taking any watch action. Jayson did note that the fund has started the third quarter in a strong position relative to the benchmark. Jayson will continue to monitor each of these funds and provide additional commentary at our next quarterly meeting.

Report of the Plan Administrator

None

Report of the Chair

None

Other Business

None